

FARM INCOME ENHANCEMENT: A MISSION FOR THE 1990s AND BEYOND

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The U.S. farm sector contributed \$56 billion to the U.S. economy in 1987 but accounted for only 1.2 percent of total U.S. economic output. This compares with 2.0 percent in 1980 and 72 percent in 1810. Furthermore, the farm sector is now the smallest component of the food and fiber system. For every 1 employee in the farm industry, there are approximately 1.25 employees in the farm input industries and 5.5 employees in the food and fiber processing, distribution, and retailing industries.

To address its declining relative economic significance, the farm sector needs to improve productivity and cost effectiveness, protect against loss of traditional markets by being sensitive to the demands of consumers, and cultivate new markets and products. Development of these strategies by identifying specific tactics for achieving long-term growth, as well as for coping with cyclical financial crises such as the one that occurred in the early and mid 1980s, is the central mission of the new Farm Income Enhancement Program at Ohio State University.

Farm Income Enhancement Conference

The inaugural event of the Farm Income Enhancement Program was an Exploratory Conference on Farm Income Enhancement, held April 14-16, 1989 in Columbus, Ohio. The conference attracted 120 farm operators and members of

the agribusiness, government, and higher education communities in Ohio and seven other states.

Sparking discussion were presentations by Ohio State University faculty of preliminary research on concepts which MAY develop into viable methods for increasing farm income. The 19 concepts presented were diverse but can be classified into four categories: increasing cost competitiveness and improving product quality, developing new markets for agricultural products, developing new uses for agricultural products, and increasing the share of consumer expenditures captured by farm producers.

Increasing Cost Competitiveness and Improving Product Quality

Concepts exploring ways for farmers to improve cost competitiveness and product quality included better utilization of existing harvest technology, use of lower chemical input production systems, and production of Merino wool under low input systems, including silviculture. As with many concepts designed to alter farm production practices, more research is needed on all these ideas. Another paper identified the conditions that are necessary for products of improved quality to generate higher income for farm operators. Farm income will increase only if all businesses involved in producing, processing, distributing, and retailing the improved product earn a profit from it.

Developing New Markets for Agricultural Products

Export expansion has received considerable attention in recent years. Concept papers examined the potential for increasing exports of high value agricultural products and for utilizing food aid as a strategic tool to enhance economic growth in less-developed countries. Increased economic

growth in these countries would translate into increased demand for food, including U.S. exports.

Another new market strategy, from an Ohio perspective, is the substitution of Ohio-grown commodities for commodities imported from other states or countries. Such an opportunity was explored for Ohio strawberries. New commercial crops also could be identified and developed. Potential examples include black walnuts, hull-less pumpkins, and lesquerella (for plastics, lubricants, and pharmaceuticals). Substantial research is needed to develop a new crop that is competitive in the market place and provides an acceptable return to farm operators; but, as with soybeans, the payoff can be high.

Developing New Uses for Agricultural Products

New uses may take the form of either food or non-food products. One paper discussed an evaluation scheme for identifying soybean varieties with the best characteristics for producing the soy food products, tofu and natto. A second paper evaluated the use of rice hulls as an alternative source for silicate adsorbent in vegetable oil refining. A third paper utilized consumer demand models to analyze changes in consumption patterns of edible fats and oils by end uses. Analysis of structural changes in demand is critical if the farm sector is to adjust to changing consumer needs.

Papers discussing non-food products examined the potential market for corn-based plastics, presented a model for evaluating corn-based ethanol as a farm policy instrument to improve farm income, and documented Ohio's potential inventory of farm biomass for producing energy.

Increasing Share of Consumer Expenditures Earned by Farm Producers

Methods examined for increasing the share of consumer expenditures captured by farm producers included expansion of commodity marketing orders to new products, generic promotion of commodities, producer involvement in the processing of beef through cooperatives, and on-farm pre-pasteurization of milk. The themes of these papers can be categorized broadly as improving producers' marketing skills, increasing producers' bargaining power relative to that of processors and handlers, and on-farm industrialization of processes currently performed off the farm. Another paper examined whether price forecasts by the U.S. Department of Agriculture outperformed futures markets and, thus, could be used to improve farm income (results were not encouraging).

Summary and Invitation

As discussions held after the presentation of each concept paper revealed, developing innovative ways to improve the income of the American farmer is an exciting challenge with vast potential; but it is a complex, lengthy process with no guarantee of success. Ideas that initially seem promising may prove to be too expensive, unworkable, or have detrimental effects. Furthermore, attainment of positive results generally requires a long-term investment of resources and the cooperative, sustained efforts of researchers, farm operators, agribusiness operators, educators, and legislators. Ohio State's Farm Income Enhancement Program is designed to be a catalyst for such sustained investments and efforts. The potential benefit to farmers, the entire food and fiber system, and the general economy can be substantial and long-lasting. We at Ohio State invite you to join us in this exciting venture.

Titles and Authors of Papers Presented at
An Exploratory Conference on Farm Income Enhancement

Copies of papers can be obtained from Pam Brown,
Farm Income Enhancement Program, OSU, 2120 Fyffe Road
Columbus, OH 43210, (614) 292-0315

Cost Competitiveness and Product Quality

Farm Income Enhancement Through Better Utilization of Existing
Harvesting Technology - Joe A. Gliem and Benson J. Lamp

Profit Potentials of Sustainable Lower Chemical Input Agriculture
- Joseph Havlicek, Jr. and Clive Edwards

Quality of Farm Products: Implications for Farm Profitability -
Gary D. Schnitkey

Wool Production Possibilities Under Low Input Systems Including
Silviculture - James C. Clay, Charles F. Parker, Stephen M.
Bratkovich

New Markets for Farm Products

Expanding Exports of High Value Agricultural Products - Dennis R.
Henderson

Food Aid, Agricultural Development and Economic Assistance:
Potentials for Stimulating Demand for U.S. Farm Exports - Norman
Rask and Donald W. Larson

Identifying Market Opportunities for Ohio-Produced Strawberries -
Timothy Rhodus and Richard C. Funt

Identifying New High Value Crops (for Ohio) - Randall Reeder, Jay
Dorsey, Robert Holmes, Kamyar Enshayan

New Uses for Farm Products

Corn-Based Plastics: Wave of the Future or a Ripple That
Degrades? - Robert Leeds and Carl Zulauf

Evaluation of Soybean Varieties for Specialty Food Products - S.K.
St. Martin, B.A. McBlain, D.B. Min, A.C. Peng, A.F. Schmitthenner

Political Economy of Farm Level Biomass Energy Potential - Fred J.
Hitzhusen

The Potential Role of Fuel Ethanol to Expand Corn Use and Farm
Income in a "Second Best" Market - Norman Rask, Luther Tweeten,
and Mario J. Miranda

Rice Hulls as an Alternative Source of Silicate Adsorbent in Vegetable Oil Refining - Andrew Proctor

The Role of Demand Models In Market Analyses - Wen S. Chern

Farmers' Share of Consumer Expenditures

Can Price Forecasts by Extension Economists Be Used to Increase Farmers' Income? - Scott H. Irwin and Mary E. Gerlow

Commodity Marketing Orders: Revenue Enhancement That Really Works - Cameron Thraen

Commodity Promotion: Assessing the Benefits for Ohio Producers - Eugene Jones

Farm Income Enhancement in Beef Marketing: Opportunities for Producers Cooperatives - D.E. Hahn, R.E. Jacobson, B.D. VanStavern

Increased Farm Revenue With the Use of On-Farm Prepasteurizing of Milk - David Dzurec and Edward Richter

